

CHAPTER 8. MODERNIZING PAYMENT PROCESSING AND BUSINESS METHODS

Rapid technological changes and process re-engineering have contributed greatly to the continuous modernization of payment processing and business methods/practices. Such efforts, while beneficial on their own, have been particularly useful during the downsizing of the Federal workforce. Moreover, it is the Department's goal to provide competitive and cost-effective services to its customers. The Department has established multiple initiatives that seek to eliminate outmoded approaches, maintain only essential elements and services, and use state-of-the-art technology to yield maximum benefits to the American taxpayer.

The essential elements of the program to modernize business methods and payment processes are:

- Streamlining financial and administrative processes.
- Re-writing Departmental policy and guidance to empower employees and eliminate unnecessary controls.
- Identifying high payoff areas for streamlining processes and upgrading technology.
- Providing assistance to bureaus in developing requirements.
- Measuring performance.
- Working with central agencies to develop long term strategies for process and systems modernization.

Improving Collections and Cash Receipts Processing

Due to the Department's substantial revenue-producing activities, efforts have focused on improving collections and processing/depositing of cash receipts rapidly. A key emphasis of the Department's cash management program has been to accelerate cash receipts by requiring payments via wire or electronic transfer. In addition to using electronic transfers, the Department has worked cooperatively with Treasury to establish several lockbox systems and plastic card collection networks to collect timber fees, abandoned mine land fees, water sales, park entrance fees, construction cost repayments, and state and local government reimbursements. Moreover, the Department is working to increase collections by referring all eligible delinquent debt to Treasury for cross-servicing and/or offset (see Chapter 6 for additional information). Cash management savings of \$85 million have resulted from 1983 projected through the end of FY 1998 by using new cash management techniques.

Planned Actions for 1999

- Based on the results of the third biennial (CFO Act) review of user charges in 1998, high priority candidates for improved fee collection and cost recovery will be identified, and targeted for implementation in FY 1999.
- Existing user charge cost structures will be modified, as necessary, to comply with SFFAS No. 4 requirements.

Planned Actions for 2000 and beyond

- The Department will pilot test one or more “smart card” applications at sites having a large volume of visitors, to improve service to our taxpaying customers, and to improve the efficiency of the existing collections process.

Improving Payment Processes

In performing its basic missions, the Department of the Interior annually processes over 2 million (non-payroll related) payments, which account for expenditures in excess of \$2 billion each year to organizations that provide products and services to the Department. Collectively, these payments cover a broad range of payment categories (i.e., payments to vendors, payments to other Federal agencies, reimbursements, grants, contracts, purchase orders, etc.), and involve an equally broad—and growing—array of available payment mechanisms—which include Treasury checks, third party drafts, imprest fund cash disbursements, electronic funds transfers, charge cards, and so forth.

In recent years, payment processes have been positively impacted by technological advances. Since 1994, the Department has been an active participant in the Governmentwide Electronic Commerce Pilot Program, and has developed capabilities that will allow the Department to fully capitalize on this promising technology once Governmentwide standards are in place.

The Department has embraced the use of plastic card technology. The Department expects to use charge cards in excess of \$400 million annually. The Government wide Charge Card contract, administered by the General Services Administration, was rebid in FY 1998. The Department expects substantial future growth in charge card use, which will further reduce the number of check payments made. This additional growth is expected to continue into 1999 and beyond, as the Department implements a new master contract for charge card services with NationsBank.

During FY 1998, bureaus updated plans to comply with Debt Collection Improvement Act (DCIA) requirements. The Department has established an electronic funds transfer tracking system to measure progress in increasing the number of payments made electronically as required by the DCIA. The Department has also initiated periodic performance reporting to measure each bureau's progress. Further, the Department is making a concerted effort to eliminate imprest funds where practical so that virtually all payments will be made electroni-

cally after January 1, 1999. *Exhibit 8-1* summarizes current status of electronic payments in the areas of vendor and miscellaneous payment as of June 30, 1998.

Exhibit 8-1

**Electronic Funds Transfer Report
(as of 6/30/98)**

Vendor Payments										
	DOI	BIA	BLM	BOR	FWS	GS	MMS	NPS	OS	OSM
Year To Date	22.99%	7.46%	40.00%	41.75%	15.01%	36.29%	80.50%	9.59%	60.96%	60.32%
Current Month	28.21%	7.99%	56.75%	43.48%	20.25%	42.15%	89.09%	13.15%	69.16%	62.61%

Miscellaneous Payments										
	DOI	BIA	BLM	BOR	FWS	GS	MMS	NPS	OS	OSM
Year To Date	52.06%	22.93%	59.11%	26.92%	60.00%	64.48%	83.25%	17.01%	80.87%	91.26%
Current Month	57.65%	26.32%	60.48%	39.19%	64.78%	71.20%	97.15%	19.12%	85.63%	92.88%

Planned Actions for 1999

- Coordinate with Procurement Offices to enroll vendors for electronic funds transfer payments.
- Develop alternative payment methods (e.g., charge cards).
- Require that any paper check payment request after January 1, 1999 must have appropriate waivers.
- Continue to review its imprest fund operations in order to eliminate as many funds and practicable, and obtain appropriate waivers for those funds that must continue.
- Capitalize on the opportunities accorded by technological advances and best practices, the Department plans to launch a work group in 1999 to standardize and streamline existing payment processes; to improve the levels of service provided to customers (i.e., program managers, vendors, etc.); to reduce the direct and indirect costs of processing the payments; and to improve the Department’s performance on based on information obtained through benchmarking.

The implementation of GSA’s SmartPay Program in November, 1998 will create substantial new opportunities for the Department in terms of :

- Implementing an integrated card solution for the purchase, travel, and fleet business lines under GSA’s new “SmartPay” program.
- Outsourcing the responsibility for transaction processing to NationsBank.
- Providing web-based access for transaction information to our 40,000 plus card holders.

- Consolidating the account setup and maintenance functions for the travel, purchase and fleet business lines.
- Automating the reconciliation process for centrally-billed transportation accounts.
- Developing an automated interface for all charge card transactions to the Department's accounting systems.
- Developing the necessary electronic exception reports to preserve the financial integrity of programs.
- Establishing a "daily pay" capability.
- Making web-based electronic commerce available to all remaining major purchasing offices in FY 1999.
- Continuing efforts to implement the electronic payment requirements of the Debt Collection Improvement Act of 1996.
- Participating in the Government-wide effort to standardize Federal grant payment systems.

Planned Actions for 2000 and Beyond

After the integrated charge card program is fully implemented, it is anticipated that substantial additional opportunities for further streamlining and re-engineering administrative functions will be provided. Possible areas are expected to include:

- Opportunities to further streamline payment functions through additional outsourcing.
- More extensive use of electronic malls for purchasing.
- Further streamlining of the travel process through direct payments.

Improving Performance Under the Prompt Payment Act

In January 1997, a Departmentwide team was formed to improve prompt payment performance. Each bureau of the Department prepared a plan that (1) identified the problems that impacted their prompt payment performance; (2) listed corrective actions; and (3) provided a time table for reaching the Department's goal. To measure the progress, bureaus are submitting monthly progress reports to the Department's Office of Financial Management.

After analyzing the payment process, four areas were identified as essential to making significant improvement. The areas identified were reviewed and discussed on a Departmentwide basis with the sharing of best practices. The areas identified were as follows:

- Reporting, Consistent Application Among Bureaus; Prompt Pay Data Analysis; Quality Control Checking/Reporting.
- Guidelines; Training.
- Identify Specific Large Dollar Volume Vendors; Vendors With Recurring Payments, and/or Opportunities for Fast Pay.
- Process Improvement (includes front-end procurement processing, communication between Procurement and Finance, and remote data entry.

As a result of these efforts prompt payment performance has improved for the Department, the percentage of payments requiring interest penalties decreased from 12.7 percent for the first half of FY 1996 to 7.1 percent for the first half of FY 1998. The chart and graph on the next page (*Exhibit 8-2*) summarizes current prompt payment performance by Interior bureaus.

Planned Actions for 1999

- The Department will continue to closely monitor bureau performance until the goal of performing at least the government wide average level of 3 percent.
- The Bureau of Indian Affairs is accelerating its implementation of remote data entry of payment data (from field offices). Remote data entry has shown tremendous progress on payments in the areas already implemented. BIA has the highest interest penalties in the Department and represents a significant share of the Department's total payment volume. Once remote data entry is fully implemented, this will drive the overall interest penalties down and with other improvements in the payment processes the Department should reach or exceed its goal.

Planned Actions for 2000 and beyond

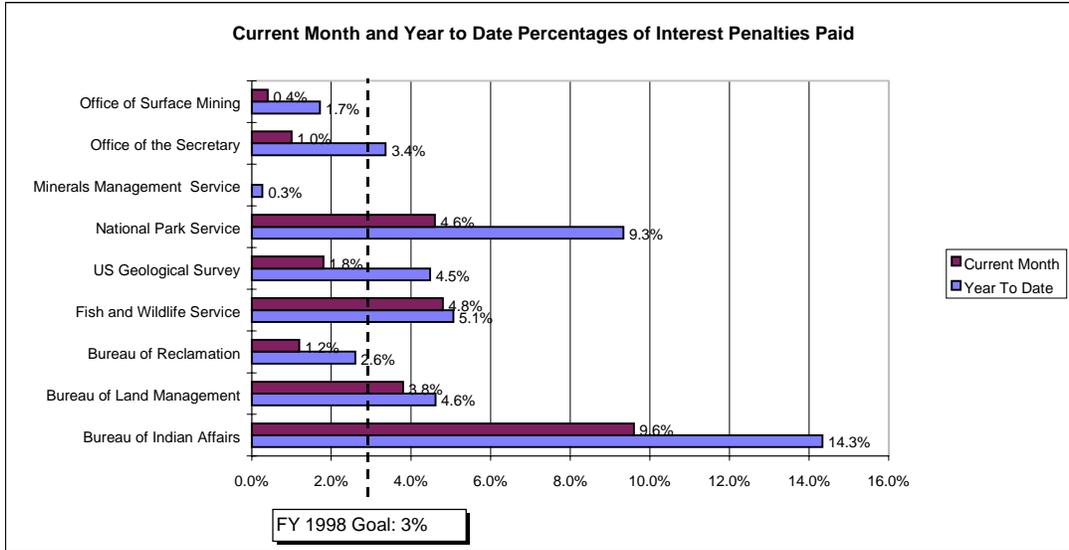
- Quarterly prompt payment reports will be prepared by the bureaus to monitor their performance. If any results are unsatisfactory, the Department will take corrective actions.
- Monthly progress reporting of interest penalties for the bureaus that do not achieve a rate of 3 percent or less for payments requiring interest penalties.
- Reduce the number of interest penalties by increasing the use of purchase cards and paying more invoices under "Fast Payment" procedures.

Streamlining Travel Processes

In 1996, the Department's CFO chartered a Department wide Travel Re-engineering Lab to streamline the Department's travel processes; to improve the levels of service provided to travelers; to reduce the direct and indirect costs of the Department's travel program; to sub-

Exhibit 8-2

Department of the Interior
 Prompt Pay Report
 For the Period October 1, 1997 through July 31, 1998



	Invoices Paid	Interest Penalties Paid	Amount of Interest Penalties Paid	Average Amount of Interest Penalty Paid	% of Interest Penalties Paid	
Bureau of Indian Affairs	55,205	7,912	\$307,787	\$39	14.3%	
Bureau of Land Management	52,652	2,430	\$41,411	\$17	4.6%	
Bureau of Reclamation	27,484	715	\$32,328	\$45	2.6%	Goal Exceeded
Fish and Wildlife Service	52,333	2,651	\$65,102	\$25	5.1%	
US Geological Survey	68,905	3,088	\$96,350	\$31	4.5%	
National Park Service	101,440	9,471	\$204,231	\$22	9.3%	
Minerals Management Service	10,423	28	\$543	\$19	0.3%	Goal Exceeded
Office of the Secretary	9,450	318	\$5,063	\$16	3.4%	
Office of Surface Mining	9,139	157	\$2,041	\$13	1.7%	Goal Exceeded
Total	387,031	26,770	\$754,856	\$28	6.9%	

Note: MMS does not report monthly due to sustained achievement of goals. The data represents the period 10/1/97 through 6/30/98.

stantially reduce the number of Travel Management Centers used by the Department; and to improve accountability.

The Travel Lab used a systematic approach to focus on the five major components of the travel process: authorization, obligation/funds control, arrangement of travel services, voucher preparation, and payment/reconciliation. In reviewing each of the five components of the travel process, the Travel Lab members considered: why the steps were being performed; whether they added value; whether the steps could be streamlined or eliminated; and whether

someone else could perform the functions more efficiently. The team reviewed the travel reinvention efforts of other Federal agencies; examined the “Best in Class” practices of three industry leaders in the private sector; conducted a DOI customer survey (which included over 5,000 responses from DOI employees); and considered a range of alternatives in preparing recommendations.

In the Department’s CFO Council, Management Council, and FOP endorsed the findings and recommendations of the Travel Lab. The final Report of Travel Lab Findings and Recommendations was published in January, 1997. Department wide savings from travel process improvements were projected to be \$7 million annually. Final guidelines for implementing Travel Lab recommendations were published in February, 1997.

The responsibilities for implementing the recommended travel process changes were assigned to the FOP in 1997, which also agreed to monitor implementation progress. By November, 1997, the substantive provisions of the Travel Lab recommendations were implemented in most bureaus. This included the widespread use of limited open travel authorizations, delegating the authority for authorizing and approving travel to first line supervisors, and promoting the use of electronic payment mechanisms.

Planned Actions for 1999

- Continue reporting and monitoring progress in implementing travel process recommendations in all bureaus.
- Identify new opportunities for further streamlining the travel process associated with the implementation of the new integrated charge card program.
- Complete assessment of travel system options, and recommend form of automated travel system for Departmentwide use.

Planned Actions for 2000 and Beyond

- Implement a Departmentwide travel system that makes maximum use of electronic means for capturing, approving, and reporting travel cost elements.

Cost Accounting

The Department performs a significant number tasks on a reimbursable basis including interagency agreements, agreements with State and local jurisdictions, Franchise Fund, Working Capital Fund and user charge activities. Coupled with the advent of the Government Performance and Results Act, full cost accounting was a major focus for FY 1998. A Departmentwide Cost Accounting Work Group was established to pursue with implementation of SFFAS No.4 in FY 1998 and beyond. Further, preliminary cost accounting policies were issued related to FY 1998 financial statements. This policy document will be updated as further policy issues arise.

Managing cost is also important to the Department. The Department continues efforts to control unemployment compensation costs. Since January 1, 1986, the Department has used a contractor to: (1) verify employment, (2) process protests and appeals, (3) verify State data, and (4) produce management reports. Projected program savings net of contractor costs for FY 1998 are \$1.6 million. Cumulative net savings since the inception of the program in 1986 are \$21.5 million.

Planned Actions For 1999

- Issue updated cost accounting policy guidance addressing compliance with FASAB managerial cost accounting standards related to (1) financial statement reporting and (2) operations/managerial cost accounting.
- Concentrate efforts on internal reporting for managerial cost accounting information/reporting in support of GPRA requirements. Some realignment of allocations for direct and indirect may be required.
- Continue the Departmental effort to control unemployment compensation costs through the use of a contractor.

Planned Actions for 2000 and Beyond

- Improve cost accounting policies and procedures related to fees charged for services in the Department.
- Review the alignment of budget, cost accounting and GPRA requirements to further improve the reporting of cost information.

Shared Service Operations

The Department provides commonly required administrative products and services to Interior and non-Interior clients through three service centers and one service provider. They are the Washington Administrative Service Center (WASC) operated by the U.S. Geological Survey, the Denver Administrative Service Center (DASC) operated by the Bureau of Reclamation, the Interior Service Center (ISC) operated by the Office of the Secretary, and Minerals Management Service's (MMS) Office of the Associate Director for Administration and Budget. These organizations are proven alternatives for agencies that wish to reduce costs associated with administrative systems and support services, achieve economies-of-scale, and produce operating efficiencies.

Washington Administrative Service Center - The WASC is currently providing services related to the: Federal Financial System (FFS); Fixed Assets and Inventory Subsystems; Interior Department Electronic Acquisition System (IDEAS); Federal Procurement Data System (FPDS); Automated Vacancy Announcement and Distribution System (AVADS); Electronic Commerce; Federal Electronic Time and Attendance System (FETA); Mainframe Time Sharing; World Wide Web Publishing; and Accounting Operations including consulting type ac-

counting services such as operational reviews, requirement analysis, Treasury reporting, training, and quality assurance.

Denver Administrative Service Center - Products and services provided by the DASC are primarily in the areas of payroll and personnel, accounting, automated systems, quarters management, and training. The new Federal Personnel Payroll System (FPPS), which recently replaced the PAY/PERS System, is being implemented in all Interior bureaus and non Interior clients. By the end of FY 1998 all but two bureaus will have converted to the FPPS. FPPS provides users with a modern, on-line database management system that fully integrates payroll and personnel activities. Accounting services are provided to the Department and other Federal agencies through the Federal Financial System (FFS). These services include accounting system and technical support, as well as accounting operations including administrative payments. Additional services provided by the DASC include computer time-sharing, rental rate-setting for government quarters, and training.

Interior Service Center - The ISC provides transportation and travel services such as management of shipments and household moves. In communications and information services, the ISC supports clients with an excellent graphics shop, print and copier services, mail and locator services, document management and computer and telecommunications services. The ISC provides space planning, management and leasing, alterations, and facilities management and maintenance. The ISC provides training and development services through four learning centers, including consultation on training needs and use, alternatives to training, program design, and a thriving, hands-on re-engineering training practice. The ISC also provides a full array of financial management services including budget execution with administrative control of funds, payments, collections, reconciliations, and management and regulatory reporting.

Minerals Management Service (MMS) Services - Services offered by MMS under the IFF fall into three major categories. In the area of procurement support services, MMS provides a complete range of procurement services from inception to closeout (i.e., request for proposals through closeout of contracts). With regard to the human resources arena, MMS performs as a "full service" third party personnel office with management support services like classification, recruitment, appraisal and awards management, employee/labor management relations, and employee development. MMS also maintains, configures, and operates an Information Technology Training Facility which may be used by other agencies on a fee-for-service basis. Beginning in FY 1998, MMS became the lead agency for the Denver Cooperative Administrative Support Unit (CASU).

Interior Franchise Fund - In 1996 the Department was designated by OMB as one of the franchise fund pilots under the Government Management Reform Act (GMRA). Currently, the WASC, the ISC, and MMS offer services through the Interior Franchise Fund (IFF). These organizations, along with the DASC, operate in an entrepreneurial environment, cross-servicing bureaus and other agencies through interagency agreements. Their mission is to provide cost effective administrative systems and related support services as well as administrative operations that are responsive to customer needs. Today, these organizations provide support to over 90 customers in the following areas:

- Procurement, personnel and payroll management, property management, and financial management systems and support services.
- General purpose mainframe computer timesharing services, electronic commerce, and World Wide Web services.
- Operational support services, such as accounting, procurement, payroll and personnel operations.

The Department is committed to work with both OMB and the Department's Congressional committees to ensure the development of a high quality pilot program for franchise services.

Planned Actions for 1999

- Development of marketing strategies for the future, with a focus on agencies with budgetary pressures, dated technology, year 2000 compliance issues, and JFMIP CORE accounting compliance issues.
- Improve customer satisfaction and the quality of products and customer services by asking existing customers what the IFF can do better and how, with lessons learned being incorporated into future tactical plans.
- Consolidate the WASC, ISC and DASC Administrative services operations into one organization to better service the Department of the Interior clients and other non Interior clients.

Planned Actions for 2000 and Beyond

- Explore new products and services, initiation of "R & D" activities aimed at leveraging cutting-edge technologies, and competitive benchmarking will be performed to enable IFF to position itself to take maximum advantage of future opportunities.
- Provide customers with the opportunity to choose from a wide range of administrative and general support services in the near term, and ultimately "one-stop" shopping for most commonly required administrative services.
- Draft customer service level agreement which, along with the reimbursable agreement, will provide customer quality level assurances and appropriate guarantees if that quality is not achieved.

Improving Electronic Communication

The Office of Financial Management (PFM) has embraced the Internet as an efficient and cost-effective means to electronically publish and disseminate critical financial management information to customers. In March, 1996, PFM introduced a World Wide Web Home Page on the Internet (www.doi.gov/pfm). The development of the home page (*Exhibit 8-3*) and use of the Internet represents one of PFM's efforts to use information technology to streamline financial services. Currently, PFM's web site comprises approximately 2,700 files and includes the following information:

Exhibit 8-3



- PFM Organization and Directory
- Financial Administration Memoranda
- Departmental Reports
- Bureau Reports
- Financial Statements
- Management Accountability and Control
- Travel
- Financial Management Training Courses and Events
- Other Resources
- Links to Other Financial Management Web Sites

To increase customer use and enjoyment of its Web site, the Office of Financial Management has implemented a number of improvements and enhancements including:

- Revising the graphical user interface to facilitate navigation of the PFM web site.
- Adding Web server data that track most frequently visited PFM pages, most frequently downloaded documents, weekly/monthly hits, and other useful log statistics.
- Publishing the Department's 1997 Annual Accountability Report in PDF (Portable Document Format) and HTML (Hypertext Markup Language) formats.
- Publishing the Department's 1997 Financial Management Status Report and Strategic Plan in PDF and HTML formats.
- Publishing speaker presentations and highlights from the 1998 Program and Financial Management Conference.
- Publishing other financial management documents as required (e.g., training, travel, policy documents, management accountability and control, financial statements, relocation).
- Updating links to related financial management sites (e.g., budget documents, bureau annual reports, strategic plans, annual performance plans).

Planned Actions for 1999 and Beyond

- Publish the Department's 1998 Accountability Report.
- Publish the Department's 1998 Financial Management Status Report and Strategic Plan.
- Develop document search capability for the PFM web site.
- Develop an intranet for the Office of Financial Management.
- Work closely with FinanceNet to improve the delivery of government services by reducing sales and information distribution costs. As a member of FinanceNet's Technical Working Group, PFM works in partnership with other Federal financial management offices to facilitate access to government information.
- Expand the use of advanced technology to reduce/eliminate paper driven inputs/outputs.